

Emlyn Struthers

From: Thorn Run Partners
Sent: Tuesday, June 2, 2026 9:12 AM
To: Emlyn Struthers
Subject: OMB Issues Proposed Rule Revising Guidance for Federal Grants

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OMB Issues Proposed Rule Revising Guidance for Federal Grants

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On May 29, the Office of Management and Budget (OMB) released a [proposed rule](#) that would substantially revise parts of title 2 of the Code of Financial Regulations (CFR), subtitle A, including the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ([2 CFR Part 200](#)), known as Uniform Guidance. The guidance is the foundational regulation governing the administration of virtually all federal grants. Entities that receive federal financial assistance would be directly and significantly affected by the provisions laid out in the proposal.

Among other things, the proposed rule includes the following:

- **New restrictions on award use.** The guidance would formalize restrictions on entities from using any federal funding for diversity, equity, or inclusion (DEI) programs and the promotion of disparate-impact theories. Additionally, events and services funded by federal awards would be subject to a viewpoint-neutral requirement. Notably, the guidance extends this requirement to events hosted on land owned by public entities that are award recipients, regardless of whether the event is federally funded.
- **Conflict of interest and mandatory disclosure requirements.** The proposal would strengthen conflict of interest disclosure policies and mandatory disclosure requirements, requiring that all mandatory disclosures be sent by the relevant

Inspector General to the U.S. Attorney's Office for the District of Columbia within 10 days of the disclosure being received.

- **Subrecipient monitoring and pass-through obligations.** Awardees that pass federal funds to nonprofits, community organizations, or sub-grantees face enhanced monitoring duties. Pass-through entities will be expected to ensure that subrecipients also comply with new restrictions.
- **Expanded termination authorities.** The proposal provides federal agencies broader authority to suspend or terminate awards on a discretionary basis, including in cases where the award is considered to "no longer advance agency priorities or the national interest". There is a categorical exception for block, formula, and disaster recovery grants.
- **Additional review requirements and award limitations.** Under the revisions, all discretionary awards would be reviewed by senior appointees prior to issuance. All fixed amount awards would be eliminated unless authorized by federal statute.
- **Reclassification of future guidance.** Under the proposed rule, future amendments to the uniform guidance would be classified as regulation.
- **E-Verify for grant-funded employees and contractors.** Recipients and subrecipients must use the Department of Homeland Security's (DHS) E-Verify system to confirm eligibility of employees working under federal funding.

Recipients and subrecipients should pay particular attention to several provisions with direct operational impact. The prohibition on DEI programs and the viewpoint-neutrality requirement for events on land owned by public entities represent new compliance obligations that extend beyond the traditional scope of grant administration. The new requirements for pass-through entities mean that entities acting as intermediaries for federal funds will bear greater responsibility for ensuring subrecipient compliance with the new restrictions, potentially requiring updates to existing subgrant agreements. The pre-award appointee review of all discretionary grants may lengthen award timelines for competitive programs, warranting earlier application planning.

- **What's Next?** Comments on the rule are due by July 13, 2026. If you are interested in commenting, please do not hesitate to contact TRP for assistance. OMB has indicated that any final rule issued would be effective on October 1, 2026, to coincide with the start of fiscal year (FY) 2027.

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